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CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE TO OVERSEE ALLOCATION OF *COMMUNITY RENEWAL TAX RELIEF ACT OF 2000* TAX CREDITS

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In December 2000, Congress passed, and the President signed the *Community Renewal Tax Relief Act of 2000* (26 U.S. Code Annotated 1400E, et seq.) (the Act). Among its provisions was the creation of the Renewal Community program, a program designed to stimulate job growth and economic development, and create affordable housing, in some of the nation's most distressed communities.

Consistent with the Act, on January 23, 2002, the federal Department of Housing and Urban Development (HUD) designated 40 communities across the nation as Renewal Communities, five of which are in California. Among the communities so designated were five communities in California. Portions of the cities of San Francisco, Los Angeles, and San Diego were designated as urban Renewal Communities, and the cities of Parlier and Orange Cove, both in Fresno County, were designated as rural Renewal Communities. The designation will allow these communities to utilize a variety of tax incentives to build a framework for economic revitalization in areas that experience high unemployment and shortages of affordable housing. In the words of Orange Cove's Mayor, Victor Lopez, "It will foster positive change in our humble community. Dreams will come true, milestones will be accomplished and reachable goals and economic development will be the norm. As the Mayor of this great community, I can envision the dynamic changes that this special designation will create for businesses, investors as well as our local residents. No worker will be left behind because job opportunities will flourish."

Among other things, the Act provides for up to $12,000,000 in tax deductions per designated renewal community for each calendar year from 2002 through 2009. Because California has five designated Renewal Communities, California has a commercial revitalization expenditure ceiling each year of $60,000,000 (unused portions may not be rolled over to subsequent years).

To receive a tax deduction, a business must "partner" with a renewal community in its revitalization efforts. The business receiving the tax deduction may either (1) deduct one-half of its qualified revitalization expenditures (generally, capitalized costs of constructing or rehabilitating a building) for the taxable year in which the building is placed in service; or (2) deduct all such expenditures evenly over a ten-year period, beginning with the month the building is placed in service.

For California's renewal communities to take advantage of the commercial revitalization deduction benefits provided in the Act, it was necessary to designate a state commercial revitalization agency. This agency must develop a qualified allocation plan by which California will allocate the allowable commercial revitalization deductions among applicants from the designated Renewal Communities. On September 29, 2002, Governor Gray Davis signed Senate Bill 2010, urgency legislation designating the California Tax Credit Allocation Committee (CTCAC) as California's commercial revitalization agency. With passage of SB 2010, CTCAC has developed its first draft of the qualified allocation plan required by the Act. A public hearing to consider comments on the Plan has been set for November 18, 2002 at 10 a.m. in Room 587 of the Unruh Building, 915 Capitol Mall, Sacramento. Upon final approval of the plan, CTCAC will accept applications for allocations of commercial revitalization tax deductions with the expectation that the first $60,000,000 in deductions will be awarded by the end of 2002.

For more information regarding the Act and the renewal communities, visit CTCAC's web site at **www.treasurer.ca.gov/ctcac** and HUD's web site at **www.hud.gov/offices/cpd/ezec**.

The California Tax Credit Allocation Committee (CTCAC), chaired by State Treasurer Phil Angelides, administers a federal and state housing tax credit program, which provides hundreds of millions of dollars of investment in affordable rental housing for lower-income families and individuals. Federal and state housing tax credits, allocated by the Committee, assist in the creation and preservation of affordable housing by enabling affordable housing sponsors to raise project equity through the sale of tax benefits to investors.

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